

BUSINESS RESULTS FOR THE THIRD QUARTER

PRESS RELEASE 3
2023



Together
All the way

November 28, 2023

Net profit in the third quarter of 2023: NIS 1,098 million
Compared to NIS 1,178 million in the corresponding period last year
6.8% decrease

Return on equity in the third quarter of 2023: 16.8%
Compared to 20.8% in the corresponding period last year

Financing revenues from current operations in the third quarter:
NIS 2,937 million
Compared to NIS 2,626 million in the third quarter of 2022
11.8% increase

Expenses with respect to credit losses in the third quarter:
NIS 694 million
Compared to NIS 155 million in the corresponding period last year
and NIS 247 million in the second quarter of 2023

Cost-Income Ratio in the third quarter: 36.6%

Dividend distribution of NIS 164.7 million –
15% of third quarter profit

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Contribution to the national endeavor – Iron Swords war

On Saturday Simchat Tora, October 7, 2023, the Iron Swords war was declared in Israel, following a murderous rampage launched from the Gaza Strip against towns and military bases close to the border. Along with action taken by the Bank to ensure continuous service to customers, Mizrahi Tefahot Bank immediately contributed to the national endeavor by way of charitable donations, banking benefits and relief, so as to help residents of the Southern region and towns on the Northern border, as well as other customers affected by the military escalation. The estimated cost to the Bank of the donations, adoption of towns, banking relief and benefits – assuming full utilization by all eligible customers – is in excess of NIS 500 million.

Along with donations made by the Bank, as from the outset of the war, to finance urgent needs of residents on the Gaza border, soldiers and volunteers, Mizrahi Tefahot resolved to adopt the town of Sderot and Kibutz Kfar Aza and to contribute to financing their needs on the immediate, medium and long terms. The estimated amount allocated by the Bank for donations, and for the adoption of these two towns and other benefits extended to its residents amounts to NIS 90 million.

Furthermore, in order to help customers in general, and residents of the conflict regions in particular, the Bank published an outline of banking relief and benefits, which are significantly larger in scope than the basis stipulated by the Bank of Israel. This outline includes, *inter alia*, full waiver of mortgage payments for several months to those resident in the Gaza border area, and an option to freeze payments, without any interest or linkage, for several additional months; interest-free non-linked loan to customers facing liquidity issues due to the current situation; grant of up to NIS 20 thousand to business owners in the Gaza border area and so forth. The estimated value of the offered benefits and relief, assuming full utilization by all eligible parties, amounts to NIS 450 million.

Prudent, conservative approach to expenses with respect to credit losses

In view of the war that broke out after the balance sheet date, the Bank resolved to adopt a prudent, conservative approach to expenses with respect to credit losses. This is due to uncertainty regarding the war duration and development, even though at this time there is no significant indication of deterioration in the risk profile of the Bank's loan portfolio. In the third quarter of this year, expenses with respect to credit losses amounted to NIS 694 million, compared to NIS 155 million in the corresponding period last year and to NIS 247 million in the second quarter of 2023. The increase in provisions is mostly due to increase in the group-based provision, reflecting the uncertainty and assessment of increased credit risk in the economy due to the war.

Continued growth in key balance sheet items

Despite the challenging macro-economic environment, the Bank succeeded in maintaining its growth momentum across most balance sheet items in the third quarter of this year as well.

Thus, *inter alia*, loans to the public in the third quarter of this year amounted to NIS 323.6 billion, compared to NIS 304.1 billion in the year-ago period, an increase of 6.4%.

Deposits from the public amounted to NIS 351.0 billion, compared to NIS 345.3 billion in the year-ago period, an increase of 1.6%.

Moshe Lari: In these challenging times, the entire Mizrahi-Tefahot family is contributing to the national endeavor to support residents of the Gaza border area and all conflict regions with the utmost commitment to stand with our customers all across Israel

"The Bank's financial statements for the third quarter of 2023 are issued in the midst of the Iron Swords war in Israel following the murderous rampage launched from Gaza on Saturday morning, October 7. In its 75 years of existence, Israel has known wars, military operations and security events aplenty. But we have never seen an event of the same magnitude as on October 7. Our hearts go out to families of those murdered and of fallen soldiers, and we all pray for the safe return home, in good health, of all those kidnapped, and to speedy recovery of all those wounded, in body and in soul.

Like many people, NGOs, organizations and businesses, the entire Mizrahi-Tefahot family immediately contributed to the national endeavor. The extent of the surprise and the depth of the crisis required a swift and determined integrated action, in both mind and matter: Allocation of extensive funds and resources to donations for various needs, the adoption of Sderot and Kfar Aza and relief to Bank customers in all categories, along with bold and heartwarming physical presence of hundreds of Bank employees at countless activities to volunteer and to provide support.

Despite the difficulties in this period of military escalation and extensive military reserve call-up, the Bank has acted to fulfill its utmost obligation – to ensure continuous, available service to all customers, including in the conflict regions. Since the beginning of the war, Bank employees are focused on a single over-arching purpose: To stand with our customers and do all that we can, to answer any need or challenge, and to help them get safely through these challenging times. For this they deserve the utmost recognition and appreciation.

Although the Iron Swords war broke out after the balance sheet date, its impact is evident on the reported results, due to uncertainty with regard to the war duration and development. This is evident especially in the conservative approach adopted by the Bank in handling expenses for credit losses. The significant increase in expenses with respect to credit losses in the third quarter of this year - NIS 694 million, compared to NIS 155 million in the corresponding period last year and to NIS 247 million in the second quarter of this year - is mostly due to a group-based provision recognized by the Bank with respect to the possibility of increase in credit risk in the economy due to the war.

Thus, the Bank achieved in the third quarter net profit amounting to NIS 1,098 million, compared to NIS 1,178 million in the third quarter of 2022, decrease of 6.8%. Return on equity in the third quarter was 16.8%, compared to 20.8% in the corresponding period last year

With due consideration to uncertainty in the economic environment, and so as to ensure the Bank's capacity to further grow in the future, the Bank's Board of Directors resolved to distribute a dividend of NIS 165 million to shareholders, or 15% of the profit in the third quarter of 2023," says **Bank President & CEO, Moshe Lari**.

Mizrahi Tefahot Ltd.
Highlights of condensed financial statements
As of September 30, 2023 (NIS in millions)

Key balance sheet items

	September 30,		Rate of Change
	2023	2022	in %
Loans to the public, net	323,590	304,104	6.4
Deposits from the public	351,034	345,339	1.6
Shareholders' equity (attributable to shareholders of the Bank)	26,459	22,989	15.1
Total assets	438,289	429,767	2.0

Profit and profitability

	Third quarter		Rate of Change
	2023	2022	in %
Total financing revenues before expenses with respect to credit losses	3,300	2,954	11.7
Commissions and other revenues	568	579	(1.9)
Total revenues	3,868	3,533	9.5
Expenses (revenues) with respect to credit losses	694	155	–
Operating and other expenses	1,415	1,529	(7.5)
Net profit attributable to shareholders of the Bank	1,098	1,178	(6.8)

Key financial ratios (in percent)

	September 30,	
	2023	2022

Key performance benchmarks

Net profit return on equity:		
For the third quarter	16.8	20.8
For the nine-month period	20.3	20.6
Deposits from the public to loans to the public, net	108.5	113.6
Ratio of Tier I equity to risk components	10.12	9.92
Leverage ratio	5.78	5.26
Liquidity coverage ratio (Quarterly)	138	119
Cost-income ratio:		
For the third quarter	36.6	43.3
For the nine-month period	37.4	43.8

Other information

Share price (in NIS) as of September 30	138.10	125.50
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